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A woman walks near the screen showing the Korea Composite Stock Price Index (KOSPI) at the Korea Exchange in Seoul, South Korea, Tuesday, March 12, 2019.

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## Gender Inequality Makes South Korea Poorer

It's in South Korea's economic interest to continue to work toward greater gender parity.

By Troy Stangarone

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Japan's Health, Labor and Welfare Minister Takumi Nemoto **stirred controversy** recently when he said that wearing heels "is socially accepted as something that falls within the realm of being occupationally necessary and appropriate" in response to a petition to ban high heels from the formal business dress code in Japan.

The challenges that women face in the workforce are not confined to Japan. Both South Korea and Japan regularly score poorly in the **World Economic Forum's Gender Gap** report, most recently ranking 115 and 110, respectively. According to the World Economic Forum, South Korea ranks 124 out of 149 countries in the world in terms of economic participation and opportunity for women.

In South Korea, women **regularly face questions** about their marriage status and plans for having children when applying for a job, or suggestions that jobs in fields such as sales aren't appropriate for women.

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These questions, and scrutiny of their appearance, are **technically illegal** in South Korea, but major firms often face minimal fines for discriminating against women. When KB Kookmin Bank was found **guilty of discriminating** against 112 female job candidates, it was only fined \$4,500. Some of the hiring personnel were given **suspended prison sentences**.

South Korea ranks last in The Economist's annual **Glass Ceiling Index**. It notes that among OECD countries South Korea has the largest pay gap at 35 percent. The **OECD average** pay gap is 13.8 percent. The glass ceiling extends to corporate boards and leadership. Only 2 percent of South Korean firms' corporate board of directors are female. Only one in 10 managerial positions in South Korea are held by women.

When **women in the workforce** have children they often face societal pressure to leave their jobs, or if they do return to work face a future with lower pay as many are often forced to take **irregular work** rather than return to full-time positions.

In government, the circumstances are similar. Women only make up 17 percent of the Members of the National Assembly. This places South Korea **sixth from the bottom** in the OECD. In terms of female ministers in government, South Korea has the **third**



**lowest percentage** in the OECD. In contrast, women make up the majority of ministers in the Macron government in France.

While the Moon administration has sought to address the gender gap in government, it has **set modest goals**: Women accounting for 10 percent senior government positions and 20 percent of public company executives by 2022.

Beyond the toll on women in society, the failure to more equitably integrate women into the workforce has long-term economic implications for South Korea as a whole.

While South Korea's overall population is still growing, it is expected to **begin declining** as soon as 2028. South Korea's **working age population** has already begun to decline. With the total fertility rate falling below one for the first time in 2018, there seems little prospect for a shift to having more children in the near future.

Based on UN estimates, South Korea's working age population could decline by 7.5 million people between today and 2040. The resulting decline in South Korea's working age population could push South Korea's potential growth rate to as low as **1 percent by 2030** according to a recent estimate.

One solution would be to better integrate women into the workforce. Since 1990, **female participation** in the labor force has risen from 47 percent of working age females to 52.8 percent in 2018. Over that same period, **male participation** in the labor force has risen from 64.1 percent to 72 percent.

In its recent **Article 4 report**, the IMF found that if female participation in the labor force continued to grow at the same rate it has over the last decade to 2035 that the overall economic output of females in South Korea would decline as the increasing percentage of women in the workforce would not make up for the overall decline in the number of women working as the population shrinks.

However, if South Korea was able to boost female labor force participation to the level of male labor force participation by 2035, it would see real GDP growth of 7 percent according to the IMF. This is **not an insignificant amount**, as it is roughly equal to what South Korea spends on healthcare.

Failure to integrate women better into the workforce could have other long-term implications for economic competitiveness. One particularly worrying concern is the effect of South Korea's gender gap on Artificial Intelligence (AI).

The Korean government is focusing efforts in areas such as 5G, big data, and other areas related to AI. The number of AI patents from South Korean companies has **grown significantly** since 2004 and today **South Korea's patent office** trails only China, the United States, and Japan for patent filings outside of the World Intellectual Property Organization and the European Patent Office.

Despite the government's heavy investment, a UNESCO study found that South Korean women make up only **18 percent of researchers**, in contrast to 52 percent in the Philippines and Thailand, and just 10 percent of engineers. Female graduate in computer science have declined since 2000.

AI related technologies are likely to drive future economic growth and could be critical to solve economic and social challenges in countries with rapidly aging and declining populations such as South Korea. Studies have shown that AI tends to incorporate biases of those writing the code. A lack of gender diversity among coders means that South Korea is less likely to develop cutting edge future technologies.

These biases are already playing out in traditional manufacturing. Women are **47 percent more likely** to suffer injuries from a car crash because car safety features are designed for men. In the case of AI, the UN has found that **AI programs** such as Siri and Alexa reinforce gender bias.

A South Korean AI field that is dominated by males could socially reinforce gender patterns and be a less valuable commercial product for sale abroad as their competitors work to address issues of bias in AI programing.

The Moon administration **has taken steps** to reduce the disincentive for companies to employ women. It has extended paid paternal leave, made it easier for both parents to take leave at the same time, and created incentives for companies to allow both parents to work reduced hours. It has also taken steps to expand **afterschool care**, while reducing the maximum hours worked in a week to 52 hours will help working mothers.

Beyond the steps that the Moon administration has taken, South Korea could move toward a blind application process and increase the fines on firms that discriminate against women in the hiring process. But the most significant steps need to be taken by firms in South Korea. Some **like SK** have moved towards more flexible working hours, while **Samsung actively recruits** women has and has more female employees than Apple. But over time the efforts need to spread beyond the leading chaebol to firms in South Korea more broadly.

As South Korea's population continues to decline, narrowing the gender gap in South Korea will be increasingly important for social and economic reasons. Beyond lost GDP growth, gender inequality makes dealing with social challenges such as South Korea's old age poverty more difficult and limits South Korea's ability to provide significant economic assistance to North Korea should it dismantle its weapons programs or collapse at some point in the future.

While steps by the government to ease the burdens of childcare for working mothers, and work flexibility will be important for drawing more women into the workforce it will take time to change the social mores that have underpinned discrimination against women in the workforce. However, as the IMF study shows, it's in South Korea's economic interest to continue to work toward greater gender parity.

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